

City of Detroit


CITY COUNCIL

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ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director 

DATE: March 31, 2009

RE: Randy K. Lane, CPA Contract Amendment for \$100,000
(Recommend Approval)

Your Honorable Body, I am resubmitting the report attached, where I show responses to my questions on this contract amendment. I understand the Administration will ask that this contract amendment be walked on this morning under the New Business agenda.

Based on these responses, I do recommend approval of this contract amendment.

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ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director *ICJ.*

DATE: March 23, 2009

RE: Randy K. Lane, CPA Contract Amendment for \$100,000
(Recommend Approval)

Your Honorable Body, the Finance Department would like to walk on during today's Budget, Finance and Audit committee meeting a contract amendment of \$100,000 for Lane-PC. The increase is to utilize Lane-PC to help Finance complete the 2007 Single Audit. **The \$100,000 increase would be paid by the DWSD and Municipal Parking enterprise agencies; no general fund dollars would be spent.**

The following are questions I raised about the contract increase and responses from Finance for your information.

Question 1

Are the 2007 Single Audit PBC's similar to the 2006 ones? If so, why can't they be done in-house? If can't be done in-house, it appears we'll run into this problem for the 2008 Single Audit.

Response to Question 1:

No, the two are not the same. The Prepared By Client (PBCs) schedules for the 2007 Single Audit are more specific than the prior year. Also, KPMG is still fine-tuning the PBC lists. There are 7 departments (Planning & Development, Health, Detroit Workforce Development Department, Human Services, DWSD, DDOT and Homeland Security) that KPMG will be testing the 12 major programs.

As you know, the City is seriously behind in filing the Single Audit for 2007. 2008 will also be seriously delinquent. The late filings are threatening the City's continued receipt of the funds. Moreover, the City's internal staff are, in fact, involved in the Single Audit processes. However, they will also be involved in the preparation of the 2008 CAFR and, immediately thereafter, the 2009 CAFR, which the City plans to file by March 2010, and the 2009 Single Audit. Needless to say, if we rely solely on the City's internal staff, we cannot catch up.

Question 2

Contract period extends to May 15, 2009 under this contract amendment. Given the number of programs identified in your spreadsheet, would there be sufficient time to prepare the PBC's?

Response to Question 2:

That's questionable. We anticipate that KPMG will complete their fieldwork by June 30, 2009. The City's work will be completed prior to that. You raise a valid question, however since we should be preparing for any contingencies.

Question 3

When do you project having the 2007 Single Audit done?

Response to Question 3:

We anticipate that the 2007 Single Audit will be issued by June 30, 2009.

Question 4

Will a budget amendment be needed to pay the \$100,000 contract increase? If so, when will that amendment be presented to Council? If an amendment is unnecessary, please provide the appropriation and cost center the amendment would be paid from.

Response to Question 4:

No budget amendment will be necessary. DWSD and Municipal Parking are going to reimburse the Finance Department for services that Plante Moran and Lane-CPA provided for the FY 07 Financial Statements audits.

Question 5

What is now Finance's overall projection for the use of contractors (Lane, Plante Moran, KPMG, and any others) to complete the 2008 & 2009 CAFRs, the Single Audits, any other required audits? It would be nice for the Budget, Finance and Audit committee to be aware of this for monitoring purposes.

Response to Question 5:

Finance will be submitting contracts for Plante and Moran, Lane-CPA and Wolinski & Co. this month for approval for FY 08 services. Our plan is to reduce the cost of the 2008 & 2009 CAFRs by a million dollars each. As you know, the 2006 CAFR cost the City upwards of \$6 million. The 2007 CAFR will cost the City upwards of \$5 million. We plan to complete the 2008 and 2009 CAFRs at

about \$4 million. Furthermore, by training our internal accountants this year, we plan to reduce the amount of the 2010 CAFR next year by another \$500,000. These expectations are reasonable because of the process improvements and training by P&M and Wolinski.

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